

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF THE VIRGINIAN-PILOT TO NOTICE OF INQUIRY NO. 1

The Virginian-Pilot is the metropolitan newspaper serving the South Hampton Roads community comprised of Virginia Beach, Norfolk, Chesapeake, Portsmouth and Suffolk as well as counties in Southeastern Virginia, the Virginia Eastern Shore and Northeastern North Carolina.

We submit this declaration in support of NAA's Response to Notice of Inquiry No. 1

The Virginian-Pilot opposes the USPS/Valassis NSA as it will result in significant harm to a vital part of our business and impact our ability to serve our communities and customers. Retail preprint advertising business represents The Virginian-Pilot's largest revenue and profit stream and its growth trend during the current climate of overall revenue declines makes it a more important revenue stream than ever before. The revenue implications as well as pricing impact of this NSA will force cost cutting measures. These measures would likely include moving our mailed total market coverage product from the USPS to a different form of distribution as well as result in workforce reductions throughout the company.

Response To Questions

1. For fiscal year 2010, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 19% of total advertising revenues (including ROP, classified, and digital advertising), 20% of total print advertising revenue, and 86% of total preprint advertising revenue.
2. For fiscal year 2011, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 22% of total advertising revenues (including ROP, classified, and digital advertising), 23% of total print advertising revenue, and 88% of total preprint advertising revenue.
3. The Virginian-Pilot currently distributes a mid-week (Thursday) total market coverage product to non-subscribers. The product is distributed partly by the USPS and partly by a 3rd party delivery force. The package is supported by a wide array of retail customers including grocery, drug, furniture, home improvement, fast food, discount and department stores. These national retailers of durable and semi-durable goods also run in The Virginian-Pilot's subscriber product, mostly on Sunday. The revenue received by The Virginian-Pilot for the combined subscriber and TMC distribution allows us to provide the community with a high level of journalism. For fiscal year 2011, we estimate that we mailed 3.6 million of TMC advertising mail packages displaying durable and semi-durable goods from national retailers via the Postal Service and distributed 6.8 million TMC pieces via private delivery carriers or through other delivery methods. We do not keep the data by weight.

4. For fiscal year 2010, we estimate that we mailed approximately 5.4 million pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$1,000,000.

5. For fiscal year 2011, we mailed approximately 3.6 million pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$700,000.

6. We estimate that the Postal Service will lose approximately \$468,000 from our mid-week TMC postage if the Valassis NSA is approved.

“I declare under penalty of perjury that the foregoing is true and correct.”
Executed on June 29, 2012.

Alan D. Levenstein
Business Development Manager
Alan.levenstein@pilotonline.com